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# Message Text

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PAGE 01 MOSCOW 08957 251844Z
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
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OPIC-03 LAB-04 SIL-01 OMB-01 CTME-00 STR-07 /110 W
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R 251839Z APR 78
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TO SECSTATE WASHDC 0973
INFO AMEMBASSY TOKYO
AMEMBASSY LONDON
AMCONSUL FRANKFURT
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY BRUSSELS

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USEEC
USOECD ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EEWT, EQIP, EFIN, JA, UR
SUBJECT: CATERPILLAR EXECUTIVE REPORT JAPANESE DOLLAR QUOTATIONS TO SOVIETS UNCHANGED DESPITE APPRECIATION OF YEN

1. DURING APRIL 25 CONVERSATION ABOUT STIFF JAPANESE COMPETITION FOR TRACTOR AND PIPELAYER SALES TO USSR, CATERPILLAR EXECUTIVE DONALD PRATT AND RONALD PILON (MOSCOW REPRESENTATIVE) TOLD EMBASSY E/C COUNSELOR THAT JAPANESE BID PRICES TO USSR EXPRESSED IN DOLLARS HAD NOT CHANGED IN PAST EIGHTEEN MONTHS AND WERE BY PRATT'S COUNT FORTY PER-CENT BELOW LIST PRICE IN JAPAN. WHEREAS THEY HAD EARLIER ESTIMATED JAPANESE WERE 6-7 PERCENT UNDER CATERPILLAR OWN BID PRICE, THEY FOUND JAPANESE CURRENTLY 15 PERCENT UNDER
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PAGE 02 MOSCOW 08957 251844Z

CATERPILLAR DESPIT E APPRECIATION OF YEN, DUE TO CATER-PILLAR'S OWN PRICE INCREASES. PRATT COMMENTED THAT JAPANESE HOLDING FIRM ON DOLLAR PRICE IN USSR WOULD COST CATERPILLAR $34 MILLION CONTRACT FOR D-9 SIZE TRACTORS FOR NON-FERROUS METALS INDUSTRY IN USSR AND FOR 138 PIPELAYERS F FOR OIL INDUSTRY. WHILE CATERPILLAR EXECUTIVES SPECULATED THAT MITI WAS UNDERWRITING JAPANESE COMPETITION, THEY

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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ALSO FELT THAT JAPANESE WOULD TRY TO RECOUP THROUGH HIGH PRICES THEY TRADITIONALLY CHARGE FOR SPARE PARTS.

2. PILON ALSO REPORTED RUMOR HE HAD PICKED UP FROM SOVIETS THAT JAPANESE MIGHT PERMIT SOVIETS TO DRAW ON BALANCE OF SECOND (CURRENT) TIMBER LOAN (ALTERNATIVE FIGURES OF $196 MILLION AND $160 MILLION WERE GIVEN FOR UNUSED BALANCE ON THIS LOAN) SCHEDULED TO EXPIRE IN NOVEMBER, 1978, FOR PURCHASE OF TRACTORS FOR WORK IN COAL INDUSTRY. PILON THOUGHT THIS PLAUSIBLE BECAUSE JAPANESE WILL MAKE NEW LOAN FOR TIMBER AFTER PRESENT EXPIRES. HIS SUSPICIONS WERE AROUSED BECAUSE SOVIETS HAD EARLIER MENTIONED NEED FOR 200-300 MEDIUM SIZED TRACTORS BUT NO LONGER ARE TALKING ABOUT IT. PRATT CAUTIONED THAT THIS IS JUST A RUMOR.

3. CATERPILLAR EXECUTIVES ALSO COMPLAINED THAT LATE PAYMENTS BY SOVIET FOREIGN TRADE BANK, INCLUDING SOME CONTRARY TO CONTRACT ABOUT WHICH FIRM HAS COMPLAINED, APPEAR TO REPRESENT A POLICY RATHER THAN MERELY ONE OF THE LIQUIDITY SHORTAGES WHICH OCCUR FROM TIME TO TIME.

4. COMMENT: WE WOULD APPRECIATE HEARING WHATEVER DEPARTMENT OR EMBASSY TOKYO MIGHT ABLE TO TELL US ABOUT JAPANESE EXPORT PRICING IN LIGHT OF YEN APPRECIATION. TOON

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# Message Attributes

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**Channel Indicators:** n/a
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**Concepts:** DOLLAR, REPORTS, PROCUREMENT, CONSTRUCTION EQUIPMENT, EAST WEST TRADE, PROPOSALS (BID), TRACTORS
**Control Number:** n/a
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**Decaption Date:** 01 jan 1960
**Decaption Note:**
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**Disposition Approved on Date:**
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**Disposition Comment:** 25 YEAR REVIEW
**Disposition Date:** 20 Mar 2014
**Disposition Event:**
**Disposition History:** n/a
**Disposition Reason:**
**Disposition Remarks:**
**Document Number:** 1978MOSCOW08957
**Document Source:** CORE
**Document Unique ID:** 00
**Drafter:** n/a
**Enclosure:** n/a
**Executive Order:** N/A
**Errors:** N/A
**Expiration:**
**Film Number:** D780177-0214
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**Handling Restrictions:** n/a
**Image Path:**
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**Original Previous Classification:** n/a
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**Page Count:** 2
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**Review Event:**
**Review Exemptions:** n/a
**Review Media Identifier:**
**Review Release Date:** N/A
**Review Release Event:** n/a
**Review Transfer Date:**
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**SAS ID:** 2859747
**Secure:** OPEN
**Status:** NATIVE
**Subject:** CATERPILLAR EXECUTIVE REPORT JAPANESE DOLLAR QUOTATIONS TO SOVIETS UNCHANGED DESPITE APPRECIATION OF YEN
**TAGS:** EEWT, EQIP, EFIN, JA, UR, CATERPILLAR, (PRATT, DONALD), (PILON, RONALD)
**To:** STATE USEEC
**Type:** TE
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**Review Markings:**
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US Department of State
EO Systematic Review
20 Mar 2014
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014